

# Exhibit 1

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## Memorandum of Agreement Between

The United States Food and Drug Administration's (FDA) Center for Tobacco Products (CTP) and RAI Services Company (RAIS)/Santa Fe Natural Tobacco Company, Inc. (Santa Fe),  
(Dated: January 19, 2017)

The parties, the FDA's Center for Tobacco Products (CTP) and RAI Services Company (RAIS)/Santa Fe Natural Tobacco Company, Inc. (Santa Fe), have been engaged in discussions to resolve the issues raised in CTP's Warning Letter dated August 27, 2015. Per those discussions, CTP and Santa Fe agree to the following steps and conditions:

1. Santa Fe will remove the phrase "Additive Free" from all Natural American Spirit cigarette product labels, labeling, advertising, and promotional materials.
2. Santa Fe will remove the term "natural" from all Natural American Spirit cigarette product labels, labeling, advertising, and promotional materials, except as provided in Paragraph Three (3) below.

Santa Fe may, if it chooses to do so, use the statement "Tobacco Ingredients: Tobacco & Water" or "Tobacco Filler Ingredients: Tobacco & Water" on product labels, labeling, advertising, and promotional materials. The use of the phrases "Tobacco Ingredients: Tobacco and Water" and "Tobacco Filler Ingredients: Tobacco and Water" is not required under this Agreement, but Santa Fe wishes to retain the option of using these statements.

If Santa Fe chooses to use the statement "Tobacco Ingredients: Tobacco & Water" or "Tobacco Filler Ingredients: Tobacco & Water" on product labels, labeling, advertising, and promotional materials, Santa Fe agrees to initiate discussions with the FTC and FDA within 30 days of signing this Agreement in order to address, and reach a mutually agreeable resolution regarding, whether, under the Consent Decree entered in 2000 between FTC and Santa Fe regarding Santa Fe's advertising of Natural American Spirit cigarettes, FTC would require a disclosure with use of the statements "Tobacco Ingredients: Tobacco & Water" or "Tobacco Filler Ingredients: Tobacco & Water." CTP's position is that no disclosure would be needed for either of the tobacco ingredients statements in the preceding paragraph. However, CTP would not object to Santa Fe's use of the disclosure "Natural American Spirit cigarettes are not safer than other cigarettes" on product packaging, labels, labeling, advertising and promotional materials. Santa Fe agrees to work diligently with FTC and FDA to reach resolution on this issue.

CTP recognizes that Santa Fe will need to coordinate with its vendors to print and implement new product labeling and advertising. However, CTP expects that this process would be completed and that changes to the labels, labeling, advertising, and promotional materials would be implemented within seven (7) months from the date Santa Fe receives in writing the agreement reached between FTC and FDA regarding the necessity, and, if applicable, wording, of a disclosure, and the process for effectuating it, as a result of the discussions among Santa Fe, FTC, and FDA. Following the seven (7) month deadline, Santa Fe will not utilize the terms "additive free" or "natural" except as allowed under Paragraph 3 of this Agreement on the labels, labeling, advertising, or promotional materials for Natural American Spirit cigarette products. Santa Fe need not, however, remove or recall products or product labels, labeling, advertising, or promotional materials utilizing the terms "additive free" or "natural" that were introduced into the market (e.g., through distribution to wholesalers, distributors, retailers, or consumers) prior to the seven (7) month deadline.

3. Santa Fe may retain use of the term "Natural" in the "Natural American Spirit" brand name and trademarks.
4. To the extent any premarket authorization requirements of section 905(j) and 910 of the FD&C Act apply, CTP will not enforce them with respect to the changes specified in Paragraphs 1 and 2 above.
5. If Santa Fe seeks labeling review from FTC for the changes described in the Agreement, Santa Fe will submit a letter to CTP's Office of Compliance and Enforcement to inform CTP of such review once the FTC has completed its review. In addition, Santa Fe will promptly notify CTP's Office of Compliance and Enforcement in writing and provide exemplars of its revised packaging, labels,

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labeling, advertising, and promotional materials that reflect the removal of "additive free" and "natural" claims, and related changes, in accordance with this Agreement. Thereafter, any subsequent changes to packaging, labels, labeling, advertising, and promotional materials shall be communicated in conformance with Section 905(i) of the FD&C Act.

6. Within thirty (30) days after CTP receives exemplars of Santa Fe's revised packaging, labeling, advertising, and promotional materials pursuant to Paragraph 5, CTP shall determine whether the exemplars are in compliance with the applicable requirements of the FD&C Act and notify Santa Fe in writing of its determination.
7. By accepting the terms of this Agreement, Santa Fe does not admit any liability or wrongdoing.

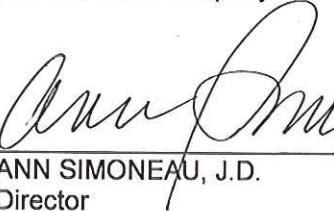
If Santa Fe agrees to the conditions outlined above, CTP will commit to not initiating enforcement action against Santa Fe related to the August 27, 2015 Warning Letter during the seven (7) month timeframe set forth in Paragraph 2 for Santa Fe to complete and implement changes to the product packaging, labels, labeling, advertising and promotional materials. The parties may agree to extend these dates by written agreement. CTP's Office of Compliance and Enforcement requests periodic updates as to Santa Fe's progress towards meeting the terms of this Agreement.

This Agreement applies only to the specific products and claims described in this letter. It is Santa Fe's responsibility to ensure that its other tobacco products and all related labeling and/or advertising comply with each applicable provision of the FD&C Act and FDA's implementing regulations.

  
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MITCHELL A. NEUHAUSER  
Vice President

Assistant General Counsel-Regulatory  
RAI Services Company

1/23/17  
DATE

  
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ANN SIMONEAU, J.D.  
Director

Office of Compliance and Enforcement  
Center for Tobacco Products  
Food and Drug Administration

1/19/17  
DATE